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El Salvador Fiscal Policy and Expenditure Management Program (FPEMP)

Quarterly Report
June – August 2013

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FISCAL POLICY AND EXPENDITURE MANAGEMENT PROGRAM (FPEMP)

QUARTERLY REPORT June - August 2013

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TABLE OF CONTENTS

ACRONYMS	I
EXECUTIVE SUMMARY	1
INTRODUCTION	3
COMPONENT A: PUBLIC EXPENDITURE MANAGEMENT	6
COMPONENT B: TAX REVENUE MOBILIZATION	10
COMPONENT C: PRIVATE SECTOR OUTREACH	13
MOF'S PROGRESS TOWARDS GOES GOALS	16
FPEMP'S PROGRESS REPORT – PERFORMANCE INDICATORS	17
FINANCIAL INFORMATION (AS OF AUGUST 31 ST , 2013)	ERROR! BOOKMARK NOT DEFINED.

ACRONYMS

AECID	Spanish International Cooperation
COP	FPEMP Chief of Party
CSMS	Case Selection Management System
DAI	Development Alternatives Incorporated
DFDMH	MOF Training and Human Talent Development Department
DGA	Customs General Directorate
DGCG	General Directorate for Government Accounting
DGEA	General Directorate for Administration
DGII	General Directorate for Internal Revenue
DGP	Budget General Directorate
DGPEF	General Directorate for Fiscal and Economic Policy
DGT	Treasury General Directorate
DINAFI	National Directorate for Financial Administration
EU	European Union International Cooperation
FPEMP	Fiscal Policy Expenditure Management Program
GIZ	German International Cooperation
GOES	Government of El Salvador
IDB	Inter-American Development Bank
IPSAS	International Public Sector Accounting Standards
IRM	Information Resource Management
IT	Information Technology
IVP	International Visitors Program
JSIIT	Java Tax Information Integrated System
LTO	Large Taxpayer Office
MOF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
MTIF	Medium Term Institutional Framework
PFG	Partnership for Growth
ROB	Results-oriented Budget
SAFI	National Financial Management System
TAIIA	Internal Taxes and Customs Taxes Appeals Court

TCA	Taxpayer Current Account
TRS	Taxpayer Registration System
TSA	Treasury Single Account
TSP	Technical Secretary of the Presidency
USAID	United States Agency for International Development
WB	World Bank

Executive Summary

The United States Agency for International Development (USAID) signed a contract with Development Alternatives Inc. (DAI) on June 10, 2011 to design and implement a program for modernizing and improving fiscal policy and expenditure management in El Salvador.

The purpose of the Fiscal Policy and Expenditure Management Program (FPEMP) is to support a technical assistance program to the Government of El Salvador (GOES) Ministry of Finance (MOF) in the areas of tax policy and administration, public expenditure management systems, and public-private dialogue between the government, the private sector and civil society. The main counterpart for these activities is the MOF.

FPEMP has three main components. These are:

1. Component A: Enhanced Public Expenditure Management
2. Component B: Improved Revenue Mobilization
3. Component C: Strengthened Private Sector Engagement

Highlights for June to August 2013, the first quarter of year three, are listed below:

Quarterly results

- Developed the accounting conceptual model subsystem under IPSAS
- Supported the development of the charts of accounts
- Developed the strategy for treasury subsystem use cases design
- Produced the DGP functional administrative modernization proposal technical document
- Organized Donors and MOF workshop on GOES public expenditure modernization project
- Completed the Component A, B and C second year evaluation
- Completed the TCA cleaning process
- Supported the implementation of the MOF human resources system
- Implemented workshops on HR evaluation applying competencies
- Launched the pilot program for the new MOF human resources evaluation system
- Reached an agreement with the MOF Directorates on the MOF fiscal transparency portal data

Other Activities Performed

- Budget modernization project

- Agreement between the Salvadoran MOF and the Costa Rican MOF to use the latter's accounting policy manual
- TSA implementation project
- IPSAS adoption project
- Support for the implementation of the DGP functional administrative reform
- TRS cleaning process project
- TCA cleaned accounts quality controls
- Implementation of the TCA procedures improvement for DGII and DGT
- Implementation of the TRS and TCA cleaning process institutionalization
- Development of the DGII audit module and DGA audit sub-module of the CSMS II
- Development of the risk management matrix for tax control implementation
- Implementation of the DGII JSIIT migration process
- Implementation of the tax arrears collection center
- Procurement of kiosks for taxpayer self-service system
- Development of the DFDMH computer lab
- DFDMH training rooms improvements
- Implementation of the MOF fiscal transparency portal data
- Development of the new MOF fiscal transparency portal
- Development of the fiscal transparency policy
- EXPRESATE project activities support

Introduction

This report covers FPEMP activities during the period from June 1, 2013 to August 31, 2013. The program began on June 10, 2011, when USAID and DAI signed the contract. The program is for four years with an optional fifth year. The entire four-year base period concludes on June 9, 2015.

USAID commissioned DAI and its FPEMP team to design and implement a program for modernizing and improving public expenditure management, tax policy and administration, and strengthen public-private sector dialogue in El Salvador. The program goals are to build a modern and transparent public expenditure system that follows the best international practices, to strengthen tax policy and administration, to improve revenue collection, and to facilitate private sector outreach.

FPEMP hereby presents the progress achieved, according to the program's three components:

- Component A: Public expenditure management
- Component B: Tax revenue mobilization
- Component C: Private sector outreach

During this quarter, FPEMP made important progress in the International Public Sector Accounting Standards (IPSAS) adoption project, the Treasury Single Account (TSA) implementation, the continuation of the budget modernization project, and the advancement of the fiscal transparency project. Furthermore, the program made significant improvements in the clean-up of the Taxpayer Registration System (TRS) and Taxpayer Current Account (TCA), the development of the Case Selection Management System (CSMS) II, and the implementation of MOF's training center modernization project. Additionally, FPEMP continued working in donor coordination activities with the European Union International Cooperation (EU), German International Cooperation (GIZ), Spanish International Cooperation (AECID), Inter-American Development Bank (IDB), and the World Bank (WB).

Component A – FPEMP continued supporting the IPSAS adoption project during this quarter by developing a proposal for the chart of accounts under IPSAS. The chart of accounts was presented to the General Directorate for Government Accounting (DGCG) staff and recommendations from the Directorate were made. The program expert made the necessary changes and sent the final version of the chart of accounts for final review from the DGCG. Furthermore, the program developed the conceptual model for the new accounting system, which was submitted to the DGCG for review.

Regarding the TSA implementation project, FPEMP continued supporting the Treasury General Directorate (DGT) by putting together a strategy for the design of use cases for the treasury subsystem of the National Financial Management System (SAFI) II. The program decided to move forward in supporting the design of the use cases with three international experts. The National Directorate for Financial Administration (DINAFI) and the DGT were very pleased with the program proposal and the decision to support the design of the subsystem functional

requirements. Currently, the treasury operations are disarticulated and governed by manual and electronic procedures. The new system will incorporate all system components, including the revenue component, and all operations will be integrated in a “whole treasury system” approach, helping the MOF to use resources more effectively.

Regarding the budget modernization project, FPEMP developed the Budget General Directorate (DGP) administrative and functional reform proposal. The document was submitted to the DGP Director and Deputy Director, who concurred with the proposed model and designated a special technical team to work with the Deputy Chief of Party in the review of the proposal. Special attention was provided to the monitoring and evaluation role—a new role FPEMP proposed that does not exist within the GOES. This role is of paramount importance for the programmatic budget and results-oriented budget implementation. Additionally, the program is preparing for an International Visitors Program (IVP) to the Chilean Budget Directorate that will support the Salvadoran DGP staff in learning about the best budget monitoring and evaluation practices.

Moreover, a consultant from DAI/Bethesda evaluated Component A tasks that took place during the project’s second year. The consultant interviewed the Vice Minister of Finance and Directors and Deputy Directors of DGT, DGP, DGCG and DINAFI, who expressed that they are very pleased with the program’s support and gave the project a score of 5 on a scale of 1 to 5.

Finally, FPEMP organized a workshop with the MOF that centered on the presentation of the new public expenditure modernization project’s critical path. Due to the delay of some Directorates in meeting their deliverables, there is significant change in the schedule that had previously been agreed upon. The various Donors, the Vice Ministers, MOF Directors and Deputy Directors and a representative from the Ministry of Foreign Affairs attended the workshop.

Component B – During the quarter the program continued to make important progress in carrying out tasks under this component. The program implemented activities with the objective of solving the structural conditions that negatively impact the TCA information. The program continues supporting the implementation and migration process of the tax information system—that is the Tax Information Integrated System (JSIIT). During this quarter, the program supported the MOF’s implementation of web services for the filing and payment of tax returns rolled out to the two larger banks collecting GOES’s taxes (more than 60% of all collections).

The TRS and TCA clean-up continued at a very successful pace, as 21,523 TCA accounts and 4,640 TRS accounts were cleaned. The program will continue supporting the TRS clean-up and requesting that the MOF institutionalize the TRS and TCA cleaning process by assigning permanent staff to perform these functions daily, as that would help to avoid future pollution of the systems.

The program continued with the development of the CSMS II system, the General Directorate for Internal Revenue (DGII) and Customs General Directorate (DGA) audit modules, and the stabilization of the case selection, case administration and fiscal compliance modules. Additionally, FPEMP continued coordinating the risk matrix management development with the

GIZ, which will develop the conceptual model and support the use cases design, while FPEMP will develop the system.

Finally, a consultant from DAI/Bethesda evaluated the Component B tasks that took place during the second year of the project. The consultant interviewed the Vice Minister of Revenue and the Director and Deputy Director of DGII and its executive staff, who expressed that they are very pleased with the program support and gave the project a score of 5 on a scale of 1 to 5.

Component C – FPEMP continued work on the fiscal transparency project during the quarter. The program developed the data loading and dynamic table's models to be implemented in the new portal. Additionally, the program is preparing for the selection of a web graphic design company that will support the development of a new proposal for the portal usability and design and a social networks strategy for the new portal dissemination.

The EXPRESATE center continued to see results during the quarter, as 2,174 students have visited the center.

The development of the new MOF human resources system was completed, and the roll-out has been successful. The program consultants provided training and knowledge transfer to the team assigned by the Vice Minister of Finance for the new human resources system implementation. The program will continue providing support throughout the rest of the contractual period of performance.

Advances were made in the development of the computer lab during the quarter, and FPEMP expects the work will be completed in the following quarter.

Finally, a consultant from DAI/Bethesda evaluated the program's second year activities and results. The consultant interviewed the Vice Minister of Finance, Vice Minister of Revenue, the General Directorate for Administration (DGEA) Director, Training Department Manager, DINAFI Directress and Deputy Directress and the Fiscal Education Office Manager, who expressed that they are very pleased with the program support and gave the project a score of 5 on a scale of 1 to 5.

COMPONENT A: Public Expenditure Management

FPEMP continued supporting the MOF in advancing its public expenditure management reform agenda, striving to achieve a budget process that is more effective, transparent, innovative, and responsive. Among others, FPEMP supports the MOF in improving treasury operations, modernizing government accounting through IPSAS adoption, and enhancing its financial management information system.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

FPEMP accomplished several important tasks under Component A during the quarter, including:

- **Developed the accounting conceptual model subsystem under IPSAS** – FPEMP developed a conceptual model for the new public accounting system, implementing the IPSAS and the IMF statistics manual guidelines. The conceptual model was delivered to the DGCG for its review and comments.
- **Supported the development of the chart of accounts** – The program developed the chart of accounts for the new public accounting system, implementing the IPSAS and the IMF statistics manual guidelines. The FPEMP consultant met with the DGCG staff to discuss the proposal and make the necessary changes as requested by the MOF. The final version of the chart of accounts was submitted to the DGCG for final review and comments.
- **Developed the strategy for treasury subsystem use cases design** – The program worked with the DINAFI and the DGT in the development of a strategy for the treasury subsystem use cases design. The program proposed the development of the system requirements with three experts in close coordination with the DGT technical staff. Currently, the treasury system is disarticulated and polluted by manual and electronic processes, but this situation will be solved in the proposed system requirements. At the end of August, the program consultants began the development of the task in San Salvador, which is expected to be completed by early 2014.
- **Produced the DGP functional administrative modernization proposal technical document** – During the quarter, FPEMP submitted the DGP functional administrative modernization proposal to the DGP Director. The document was reviewed, and the DGP requested some modifications regarding the inclusion of new functions, such as security and quality information. FPEMP is working with a DGP team in reviewing the entire document and including the requested functions. It is expected that the DGP will begin working with the new structure in January 2014.
- **Organized Donors and MOF workshop on GOES public expenditure modernization project** – The Chief of Party proposed to the donors' committee for FPEMP to organize a workshop attended by the MOF Vice Ministers and the Directors and Deputy Directors of DGP, DGT, DGICP, DGCG, DGPEF, National Procurement Office and DINAFI, where the MOF would present the adjusted agenda for the Public Expenditure Modernization Project. The workshop took place at the end of August. Due to implementation delays in some Directorates, the MOF presented an agenda with an adjusted schedule, in which the new programmatic budget system and the SAFII II are expected to be implemented by January

2016 (one year later than the originally scheduled date). FPEMP is coordinating a meeting with the MOF and the other technical assistance programs to discuss in detail the changes and the activities for this new implementation schedule.

- **Completed Component A second year evaluation** – DAI Bethesda advisor Ms. Eunice Heredia-Ortiz evaluated the program's second year activities and results. Ms. Heredia-Ortiz, accompanied by the FPEMP Monitoring and Evaluation Specialist, interviewed the Vice Minister of Finance, Vice Minister of Revenue, DINAFI Directress and Deputy Directress, DGCG Director and Deputy Director, DGP Director and Deputy Director, and DGCG Director and Deputy Director. In general they expressed pleasure with the program's achievements and technical support and gave the program a score of 5 on a scale of 1 to 5.

ACTIVITIES/WORK IN PROGRESS

The following paragraphs contain a short description of activities in progress during the quarter for Component A:

- **Budget modernization project** – During the quarter, FPEMP continued supporting the budget modernization project. The DGP Director communicated that FPEMP has been assigned to support the health, agriculture, and economy sectors in the budget program formulation process. However, the DGP Director clarified that the decision is preliminary and could suffer changes. Additionally, during the donors and MOF workshop, the MOF announced an expected delay in the budget modernization project, stating that the new programmatic budget formulation and the new SAFI II adoption will be implemented for the 2016 fiscal year's budget (and not 2015 as previously scheduled).
- **Agreement between the Salvadoran MOF and the Costa Rican MOF to use the latter's accounting policy manual** – During the quarter, FPEMP continued supporting the agreement between the Salvadoran MOF and the Costa Rican MOF to use the latter's accounting policy manual. The Minister from Costa Rica requested an agreement with all language formulated by the Salvadoran MOF, which sent the agreement for the Minister from Costa Rica to review. It is expected that the agreement will be signed in the next quarter.
- **TSA implementation project** – The program continued providing support to the TSA implementation project. By the end of August, the TSA system was stabilized, and the three GOES entities involved in the pilot were fully integrated. During the following quarter more than six new entities will be integrated into the TSA.
- **IPSAS adoption project** – FPEMP continued with the IPSAS adoption project developing the conceptual model for the new public accounting system and the chart of accounts. Additionally, the program obtained the support of the Costa Rican government to use the accounting policy manual under IPSAS that they recently developed as a reference for the Salvadoran policy manual.
- **Support the implementation of the DGP functional administrative reform** – FPEMP and the DGP team are working on the implementation of the DGP functional administrative reform. The reform will reflect new functions of the Directors Office, Planning and Control Unit, Legal Unit, Programing and Expenditure Quality Unit, Programming Division,

Monitoring and Evaluation Unit, Budget Management Unit, Public and Security Management Unit, Economic and Social Development Unit, Administrative Unit, and Institutional Link Unit. The work is on schedule, and it is expected that the DGP will perform the new functions starting in January 2014.

NEXT STEPS

The main activities for the next quarter are:

- **Support the development of the accounting policy manual** – FPEMP will begin supporting the DGCG in the development of the public accounting policy manual using the Costa Rican model. The task is very complex, requiring at least three years to carry out. The program will request that the MOF fully dedicate a team to work on this task.
- **Adjustment to the accounting conceptual model subsystem under IPSAS** – The program will receive the modification request from the DGCG and will proceed to make all changes. FPEMP plans to submit it to the DGCG Director for final approval.
- **IVP to Costa Rica to learn about the Costa Rican experience adopting IPSAS** – During the next quarter, FPEMP will develop an IVP to the Costa Rican MOF to learn about their experience adopting IPSAS. The DGCG Normative Department Manager and the DGCG Accounting Research and Norm Unit Manager will participate on the IVP. The participants will learn about the strengths and weaknesses of IPSAS adoption in Costa Rica, the development of the chart of accounts and the accounting policy manual, the centralized accounting system, the relationship between the budget and accounting classifiers, application guides, financial statements under IPSAS, and IPSAS coverage.
- **Support the SAFI II treasury module use cases design** – During the following quarter, FPEMP will support the development of the SAFI II treasury module use cases design. The design will include the use cases for Revenue (registration and collections), Financial Programming, Expenditure (payments) and Bank Reconciliations. The use cases design will incorporate the treasury conceptual module—previously delivered by FPEMP—as the basis in the development of the new system.
- **Adjustment to the chart of accounts proposed to the MOF** – The program will receive the final modification request from the DGCG and will proceed to make all changes. It will be submitted to the DGCG Director for final approval.
- **Support the implementation of the DGP functional administrative reform** – FPEMP will continue with the implementation work plan that includes:
 - Approval of the proposal by the DGP Director
 - Development of new functions
 - Review and updating of the current procedures
 - Review and elaboration of technical functions
 - Presentation of the proposal to the Directorate
 - Presentation of the proposal to the Vice Minister of Finance
 - Signing of the new structure agreement
 - Personnel repositioning
 - Training on monitoring and evaluation

- **IVP to Chile to learn about budget monitoring and evaluation strategies** – During the following quarter, FPEMP will organize an IVP to the Chilean MOF to learn about budget monitoring and evaluation strategies. It is expected that the DGP Director, DGP monitoring and evaluation unit manager and personnel, and FPEMP staff will attend. The participants will learn about the Chilean experience, the legal framework, the institutional framework, methodologies, information systems, reports, and coordination between the Chilean DGP and public institutions, and recommendations.
- **Support to the MOF and donors agenda adjustments related to the budget modernization project** – The program will continue providing support to the budget modernization agenda in order to avoid future delays from the DGP. All delays will be communicated to the Vice Minister of Finance.
- **Design of the preliminary plan to strengthen the National Procurement Office** – During the year 2014, the program will support the development of the second phase of the COMPRASAL II and the reform of the public procurement regulation. During the following quarter, FPEMP will work with National Procurement Office in planning for the technical assistance to be provided.

COMPONENT B: Tax Revenue Mobilization

FPEMP aims to develop a strong, modern Salvadoran tax administration that is more equitable, efficient and taxpayer-friendly.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

FPEMP accomplished several important tasks within Component B during the quarter, including:

- **Completed the TCA cleaning process** – During the quarter, FPEMP completed the clean-up of the 21,523 accounts selected by the MOF. The program will continue with the quality control process and the institutionalization of the cleaning process.
- **Completed Component B second year evaluation** – DAI/Bethesda advisor Ms. Eunice Heredia-Ortiz performed the FPEMP Component B evaluation of the second year of the program. Ms. Heredia-Ortiz, accompanied by the FPEMP Monitoring and Evaluation Specialist, interviewed the Vice Minister of Finance, Vice Minister of Revenue, DGII Director and Deputy Director and its executive staff, who in general expressed pleasure with the program achievements and technical support to date and gave the program a score of 5 on a scale of 1 to 5.

ACTIVITIES/WORK PROGRESS

The following paragraphs contain a short description of activities in progress during the quarter for Component B:

- **TRS cleaning process project** – During the quarter, FPEMP continued with the TRS cleaning process project. FPEMP contacted the entirety of the first list of 11,494 taxpayers provided by the MOF and the second list of 4,400. Of this group of taxpayers, the program was able to support the cleaning of 4,640 accounts – the difference corresponds to taxpayers who are deceased, those reluctant to participate and respond to the DGII requests, and those living out of the country. FPEMP and the DGII Director agreed to have the audit areas of the DGII perform the work of enforcing the requirement to update the TRS with the group of reluctant taxpayers. Nevertheless, it is important to highlight that most of the large and medium taxpayers accounts (i.e., those with the greatest potential to contribute) have been cleaned and updated. The program will continue supporting the clean-up of the new lists of taxpayers (Other Taxpayers) that DGII will submit for cleaning.
- **TCA cleaned final accounts registration** – After the TCA cleansing, DGII supervisors continued with the TCA quality control, and FPEMP has supported the process of final accounts registration. Through August 2013, DGII has completed the quality control process for 11,891 accounts, while FPEMP has completed the final registration of 11,261 accounts.
- **Support for the TCA procedures improvement for DGII and DGT** – FPEMP has continued supporting the implementation of the TCA procedures improvement for DGII and DGT. The procedures will solve the long-term problems that pollute the TCA information. The FPEMP program has put pressure on the MOF to solve the deep-rooted issues in order to

prevent future pollution of the TCA. In response to FPEMP's advice, during this quarter, the MOF proceeded with implementing a web services framework—for real time information update—in the two bank institutions collecting nearly 60 percent of tax contributions in the country.

- **Support for the TRS and TCA cleaning process institutionalization** – The program continues advocating with the MOF regarding the need to institutionalize the TCA and TRS cleaning program. The DGII has agreed to begin the task in January 2014.
- **Development of the DGII audit module and DGA audit sub-module of the CSMS II** – During the quarter, FPEMP has continued to develop the DGII audit module and DGA audit sub-module of the CSMS II. FPEMP has requested more personnel from the DGII and DGA to test the development. The DGII has replied to FPEMP requests; however, the DGA personnel have not been testing the development. FPEMP will continue pressing the DGA in order to comply with the established due dates.
- **Support for the risk management matrix for tax control implementation** – During the quarter, FPEMP continued to support on the risk matrix for tax control implementation. The GIZ stated that they have not identified the databases, software and information to implement the matrix. They also stated that they will request a meeting with FPEMP and the MOF in October to continue discussing the implementation.
- **Support for the DGII JSIIT migration process** – FPEMP continued supporting the DGII's JSIIT migration process. The MOF stated that as of August 2013, they have not been able to stabilize the first module (TRS). FPEMP will continue to pressure the migration process in order to develop more software requirements requested by the TRS and TCA users.
- **Support for the Treasury's Call Center implementation** – FPEMP continued to support tax revenue mobilization through tax arrears collection performed by the Treasury's collection call center activities. FPEMP met with the DGT Director to learn about the call center results. The DGT Director expressed that they are very pleased with the call center production, because they have collected around \$2 million while using only 3 officials. Additionally, he stated that the call center has supported collection of tax resolutions' installment payments, totaling close to \$32 million this year.
- **Procurement of kiosks for taxpayer self-service system** – During the quarter, FPEMP submitted all the necessary paperwork to procure six taxpayer self-service kiosks. It is expected that the kiosks arrive in the following quarter and will be donated to the MOF.

NEXT STEPS

The main activities for the next quarter are:

- **TRS cleaning process completion** – During the following quarter, FPEMP will complete the TRS cleaning process.
- **TCA final account registration** - During the following quarter, FPEMP will complete the TCA final account registration.

- **Support the TRS and TCA cleaning process institutionalization** – After the completion of the two tasks above, FPEMP will continue supporting the TRS and TCA cleaning process institutionalization. The area where the current project is being developed will be donated to the MOF for the new staff that will provide support on a long-term basis.
- **Support the training on CSMS II modules (DGII and DGA)** – During the following quarter, FPEMP will support the training on CSMS II modules. The training sessions will be delivered by the MOF personnel testing the development, while FPEMP will support the programing and internal CSMS II processes.
- **Development of the DGII audit module and DGA audit sub-module of the CSMS II** – FPEMP will continue the development of the DGII audit module and the DGA audit sub-module of CSMS II. Additionally, FPEMP will support the modules operations start process.
- **Support for the risk management matrix for tax control implementation** – During the following quarter, FPEMP will continue supporting the matrix implementation with the GIZ and the MOF.
- **Queue management system development** – FPEMP will begin the development of the queue management system. The system will improve the taxpayer assistance areas of the MOF by reducing the waiting times.

COMPONENT C: Private Sector Outreach

In component C, the project continued advocating for a political decision from the GOES in moving forward with a strategy that bridges differences and builds consensus through outreach and dialogue. Although the program understands that due to the presidential campaign there is a low likelihood of a political decision on this matter, the program will work in preparing a proposal for the new government. Nevertheless, FPEMP aims to reinvigorate the dialogue between the government, the private sector, and the broader public through the implementation of such alternative strategies as the EXPRESATE center, the improvement of the fiscal transparency portal, and the inclusion of the municipalities in a fiscal transparency strategy.

Additionally, under component C, the project continued supporting the reform of the MOF Human Resources system through the initiative coordinated by Presidential House for the entire public sector and the MOF goals to improve human talent.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

FPEMP accomplished several important tasks within Component C during the quarter, including:

- **Supported the implementation of the MOF human resources system** – At the request of the Vice Minister of Finance, the program supported the design of the new MOF human resources system implementation plan. FPEMP consultants were granted extensions to support a technical team formed by six Human Resources Department personnel, including the Manager of the MOF Training and Human Talent Development Department (DFDMH) and the Manager of the Performance Evaluation Unit, who acted as team coordinator. The consultants and team designed the implementation plan, the schedule for the five human resources subsystems, and the new Human Resources Department organization structure.
- **Implemented workshops on HR evaluation applying competencies** – Workshops on applying the competencies in performance evaluation were delivered to technical staff of the eight MOF Directorates. The staff who participated had the best knowledge and command of the duties performed in the specific unit. The number of participants was 20.
- **Launched the pilot program for the new MOF human resources evaluation system** – During the quarter, a performance evaluation pilot was developed and undertaken by the Human Resources Department Performance Evaluation team with the participation of the functional unit technical staff subjected to the evaluation. The Directorate participating in the pilot was the DGT.
- **Reached an agreement with the MOF Directorates on the MOF fiscal transparency portal data** – FPEMP has obtained the agreement of the revenue and expenditure areas regarding the data that will be loaded onto the fiscal transparency portal. Agreement was reached on the loading mechanism, the data, and the validation mechanisms.
- **Completed Component C second year evaluation** – DAI/Bethesda advisor Ms. Eunice Heredia-Ortiz performed the FPEMP Component A evaluation of the second year of the

program. Ms. Heredia-Ortiz, accompanied by the FPEMP Monitoring and Evaluation Specialist, interviewed the Vice Minister of Finance, Vice Minister of Revenue, DINAFI Directress and Deputy Directress, DGEA Director, Training Department Manager, DINAFI Directress and Deputy Directress and the Fiscal Education Office Manager, who in general expressed pleasure with the program achievements and technical support and gave the program a score of 5 on a scale of 1 to 5.

ACTIVITIES/WORK PROGRESS

The following paragraphs contain a short description of activities in progress during the quarter for Component C:

- **Development of the DFDMH computer lab** – The computer lab of the DFDMH has been furnished with 20 desktop computers and 20 UPS, cable data systems, 40 desks, and 40 chairs. In addition, the procurement of audio and video equipment is in progress.
- **DFDMH training rooms improvements** – Six training rooms within the DFDMH and two in DINAFI are being improved through the procurement of furniture, cable data, video and sound equipment. The work will be completed by October 2013.
- **Support for the MOF fiscal transparency portal data** – FPEMP has followed up on the missed agreements regarding the fiscal transparency portal data. The ones missing are from investment and budget execution, and FPEMP will continue the activity.
- **Development of the new MOF fiscal transparency portal** – During the quarter, FPEMP began the activities to develop the fiscal transparency portal web design. FPEMP put forward the request for proposal; however, the companies that applied did not comply with the terms of the request. Therefore, FPEMP will perform a second request for proposal process.
- **Support for the fiscal transparency policy** – The program continued its efforts to support the implementation of the National Transparency and Anticorruption Policy which includes a chapter of the Fiscal Transparency Policy. The National Policy is under revision for approval. Also, efforts have been made regarding the coordination with the USAID-funded Municipal Competitiveness Project to incorporate the public finance information of the Municipalities.
- **EXPRESATE center activities support** – During the quarter, FPEMP continued to perform follow-up activities in support of the EXPRESATE center. As of August 31, the numbers of students that have visited the facilities are 2,174, including 1,170 women.

NEXT STEPS

The main activities for the next quarter are:

- **Development of the DFDMH computer lab** – The DFDMH computer lab will begin operations in November 2013 after the procurement and installation of equipment has been completed.

- **Improvements to the DFDMH training rooms** – The training rooms will be operational at the end of October 2013 once the installation of the audio and video equipment has been completed.
- **Support for the strengthening of the DFDMH** – During the following quarter, the FPEMP capacity building consultant will support the DFDMH strengthening implementation plan that was developed in 2011 and the application of the course design methodology for training development courses from the competency based curricula.
- **Development of the new MOF fiscal transparency portal** – During the following quarter, FPEMP will begin the development of the components that were agreed upon with the different areas. Additionally, a web graphics design company will be contracted to design the new portal.
- **Support for the implementation of the new MOF's human resources system** – The program will continue supporting the implementation of the MOF human resources system according to the implementation plan prepared with the technical team. Approval of the implementation plan is pending.

MOF's Progress towards GOES goals

The USAID contract mandates that FPEMP/DAI reports, on a quarterly basis, on the GOES progress toward the following targets:

GOES Target	Progress
Build the foundations to move from the current budget system to a Results-Oriented Budget system for Health, Agriculture and Economy	The DGP Director and Deputy Director approved the preliminary proposal for the DGP structural reform, and they concur with program's proposal in building a strong monitoring and evaluation office, which is critical for the results-oriented budget implementation. Additionally, they agreed to assign the health, agriculture and economy sectors to the program for the programmatic budget implementation.
Implement a fully operational TSA	The DGT continue implementing the TSA, and they now have three entities integrated into the TSA. During the first week of September, they will integrate five additional entities.
Develop and implement the SAFI II	The DINAFI continued with the design of the use cases of the budget formulation module and worked with the program and DGT in the design of the strategy for the treasury subsystem use cases design.
Develop and implement an e-Procurement System	The MOF requested FPEMP support in the development of the second phase of the COMPRASAL II and the development of the proposal for the implementation of the Reverse Auction and Indefinite Quantity Contract-IQC procurement systems. FPEMP agreed with the request. The IDB will provide support only for the first phase of the COMPRASAL II.
Increase tax revenues by 2.0% of GDP by 2015	During the quarter, the implementation of the tax collection center supported the MOF in the collection of more than \$2 million in tax arrears and supported the collection of \$32 million from Income Tax resolutions. Additionally, the new fiscal compliance module in the CSMS II supported the collection of \$2 million.
Develop new scenarios for private sector and civil society participation in fiscal matters and new transparency and accountability practices	The MOF is fully supporting the improvement and modernization of the fiscal transparency portal, including new fiscal data.
Successfully implement current and future tax reforms	During January 2012, the DGII with FPEMP support developed a dissemination strategy of the 2011 fiscal reforms. During the quarter, the DGII continued implementing fiscal reforms.

FPEMP's Progress Report – Performance Indicators

Finally, this report presents FPEMP/DAI progress towards achieving the program results:

FPEMP result	FPEMP progress
COMPONENT A	
1. At least twenty-five Public Sector Institutions using multiyear Results-Oriented Budgets (ROB) by the end of the project	The program obtained approval from the DGP in the sectors to be assigned to FPEMP to begin supporting the budget program design. In the implementation of the task the program will have the support of Georgia State University. Additionally, the project made important advances in the DGP administrative and functional reform, doing special emphasis in the monitoring & evaluation role, critical for the result oriented budget implementation.
2. Treasury enabled to make electronic payments on behalf of GOES entities by the end of the project	The program developed in coordination with the DINAFI and DGT a strategy for the use cases design for the treasury subsystem within the SAFI II. The new system will integrate all treasury operation in a “Whole Treasury System” concept. The program continued to follow up on the TSA implementation, and to date three entities have been integrated into the TSA while another five more will be integrated by early September.
3. A strengthened MOF Budget-Planning Unit by increasing the knowledge and IT resources of each unit	During the quarter, the program completed the proposal for the DGP new administrative and functional reform, emphasizing the new M&E role, which is critical for the ROB implementation.
4. Six hundred MOF personnel trained in modern expenditure system management techniques by the end of the project	The program obtained the approval of the DGP on the sectors that will be supported in the programmatic budget implementation. The necessary training will be provided to the DGP personnel and the sectors assigned to FPEMP. The program will have the support of GSU in the training program implementation.
5. Support the MOF in the migration from SAFI to SAFI II	FPEMP developed the Conceptual Model of the Treasury System and obtained approval from DGP. Additionally, the program developed the public accounting subsystem conceptual model and, in coordination with the DINAFI and DGT, a strategy for the Use Cases development for the treasury subsystem within the SAFI II. The new system will integrate all

	treasury operation using a “Whole Treasury System” concept.
6. Introduce and promote implementation of IPSAS	During the quarter, FPEMP developed the new chart of accounts under IPSAS and developed the new conceptual model for the Public Accounting System under IPSAS.
7. A functional web-based Public Expenditure Tracking System available to the public.	FPEMP developed the proposal for the FTP data loading and dynamic table data model, which was approved by DINAFI.
COMPONENT B	
8. Up-to-date, consistent and clean Taxpayer Current Account (with modern database management guidelines)	FPEMP coordinated the MOF efforts to solve the issues that polluted the TCA, and by the end of August the web services for the filing and payment of tax returns was launched. Additionally, the TCA clean-up moved forward successfully, as the program cleaned and updated 21,523 accounts and supported the final accounts registration for 11,261 accounts.
9. Up-to-date, consistent and clean Taxpayer Registration System (with modern database management guidelines)	During the quarter, FPEMP continued with the TCA cleaning process. By August 31 st , the number of TRS registries cleaned was 4,640, and the program agreed with the DGII regarding the strategy to address the issues related to the taxpayers who are reluctant to update their accounts.
10. Up-to-date, consistent and updated Case Selection Management System (with modern database management guidelines)	During the quarter, FPEMP continued developing the DGII audit module and the DGA audit sub-module. The program continued supporting the case selection, case administration and fiscal compliance module stabilization.
11. An automated functional system, which reconciles the taxpayer database on a periodic basis	During the period and through the support of FPEMP, the MOF finally implemented the web services to improve the data transfer from the DGT and the banking institutions and the interphase plan programming between DGT and DGII. By the end of August, the two major banks were incorporated into the system, and the remaining banking system will be integrated during the following quarter.
12. No less than 300 MOF personnel trained to effectively apply the fiscal reforms in order to generate the expected additional income	During the program’s third quarter, FPEMP provided support to the DGII in the training of 2011 fiscal reforms to 83 MOF personnel.
13. Provide technical support in the strengthening of the Large Taxpayer Unit areas	During the previous quarters, FPEMP supported the creation of the new large

of income tax and transfer pricing audit techniques	taxpayer office, the Front and Back Office for the large taxpayers, the kiosk system and the strengthening of the audit skills of the large taxpayer office. During the quarter, the program supporting the LTO performance.
COMPONENT C	
14. No less than 60 private sector actors, at all levels, assisted to better understand the new fiscal reforms passed in December 2011	During the program's third quarter, FPEMP provided support to the DGII in the training of the 2011 fiscal reforms to 1,114 taxpayers.
15. Effective promotion leading to the establishment of a public private commission by Salvadoran actors, with the goal of monitoring on yearly basis the approved budget versus actual GOES expenditures	During the quarter, FPEMP continued working on the modernization of the Fiscal Transparency Portal, and the data loading and dynamic data models were developed. The program initiated the contracting of a graphic design company that will support the reform of the portal.
16. Development of a Fiscal Transparency Policy with the MOF and GOES	During the previous quarters FPEMP created the EXPRESSATE Center. The EXPRESSATE Center was highlighted by the civil society as a priority in the GOES transparency policy. During the quarter the project continued supporting the center performance.
17. A functional state of the art in-house training program to provide MOF personnel with continuous up-to-date techniques and technical knowledge	During the quarter, FPEMP provided support to the implementation of the new HR and training system developed by the program. Additionally, the creation of a computer lab continued, and it is expected to be established during the following quarter.
18. GOES assisted and facilitated discussions with the private sector in forging a new fiscal pact to increase resources to address the pressing social and economic needs of the country	The MOF has not yet made decisions on this matter. Nevertheless, the program continued working on the FTP reform as a way to grant civil society participation in the GOES fiscal affairs and is ready to prepare a proposal for the new government.